

GOVERNOR'S VETOES

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 77.

Item 0250-111-0001—For transfer by the Controller to the Trial Court Trust Fund. I reduce this item from \$1,453,866,000 to \$1,386,566,000.

I am reducing this item by \$57,500,000 as a one-time base veto of a portion of the General Fund transfer to the Trial Court Trust Fund. This veto decreases the reserve in the Trial Court Trust Fund from \$67,500,000 to \$10,000,000, leaving a sufficient reserve in case revenues fall short of expected levels. The Trial Court Trust Fund does not need a large reserve since, pursuant to recent legislation, its primary fund sources now receive a statutory annual adjustment based on the increase in the State Appropriations Limit.

I am also reducing this item by \$9,800,000. The Legislature adopted Uniform Civil Filing Fees trailer bill language that would bring in increased revenue of \$14,750,000 in 2005-06 to the Trial Court Trust Fund. Of this amount, \$4,950,000 will be available as additional expenditure authority to the Trial Court Trust Fund for the facilities program and the remaining \$9,800,000 will offset the General Fund transfer. Since the Uniform Civil Filing Fee will not be implemented until January 1, 2006, the above amounts are for a half-year only and will be annualized in 2006-07. As such, the ongoing offset to the General Fund transfer will be \$19,600,000.

Item 0520-001-9329—For support of Secretary for Business, Transportation and Housing. I delete this item.

I am deleting the \$2,000,000 legislative augmentation that would provide loans to chrome plating businesses. This augmentation is associated with pending legislation and I am opposed to the appropriation of funds for legislation that has not yet been approved by the Legislature and the Administration.

Item 0540-001-0140—For support of Secretary for Resources. I revise this item by reducing:

(1) 10-Administration of Resources Agency from \$8,378,000 to \$8,362,000,

and by deleting:

(5.5) Amount payable from the River Protection Subaccount (Item 0540-001-6015) (-\$16,000).

I am revising this item to conform to the action I have taken in Items 0540-490 and 0540-001-6015.

Item 0540-001-6015—For support of Secretary for Resources. I delete this item.

I am deleting this item to conform to the action I have taken in Items 0540-490 and 0540-001-0140.

Item 0540-490—Reappropriation, Secretary for Resources. I revise this item as follows:

"Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2006:

0001—General Fund

- (1) Item 0540-101-0001, Budget Act of 1999 (Ch. 50, Stats. 1999)
- (2) Item 0540-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)
- (3) Item 0540-101-0001, Budget Act of 2001 (Ch. 106, Stats. 2001)

0890—Federal Trust Fund

- (1) Item 0540-001-0890, Budget Act of 2002 (Ch. 379, Stats. 2002)

~~6015—River Protection Subaccount~~

- ~~(1) Item 0540-101-6015, Budget Act of 2000 (Ch. 52, Stats. 2000)~~

~~(a) Los Angeles River Parkways"~~

I am eliminating the availability of funding provided to the City of Maywood for the Maywood Riverfront Park. Funds for this project have been available since 2000 and the City has not yet purchased the land as required by the grant agreement. Several obstacles remain, making this purchase unlikely in the near future. Consequently, it would not be prudent to continue earmarking these funds for the Maywood project.

I am revising this item to conform to the action I have taken in Items 0540-001-0140 and 0540-001-6015.

Item 0555-001-0044—For support of Secretary for Environmental Protection. I revise this item by reducing:

- (1) 30-Support from \$9,703,000 to \$9,203,000, and
- (11.5) Amount payable from the Public Interest Research, Development and Demonstration Fund (Item 0555-001-0381) (-\$500,000).

I am revising this item to conform to the action I have taken in Item 0555-001-0381.

Item 0555-001-0381—For support of Secretary for Environmental Protection. I delete this item and Provision 1.

I am deleting the \$500,000 legislative augmentation to support the California Climate Action Registry. The work of the Registry is important to accomplishing the goals of the state's greenhouse gas reduction targets, but the Energy Commission already provided \$200,000 in 2004-05 for this purpose. Furthermore, I believe that awards under the Public Interest Energy Research Program should be funded through the existing competitive grant process.

I am deleting Provision 1 to conform to this action.

Item 0855-101-0367—For local assistance, California Gambling Control Commission. I reduce this item from \$50,000,000 to \$30,000,000.

I am deleting the \$20,000,000 legislative augmentation to provide additional grant funds to mitigate the impacts of tribal gaming on local government agencies. I am supportive of these mitigation efforts and understand their importance, especially to areas with significant concentrations of tribal casinos. Because local government agencies have not provided

required annual reports that detail the specific projects funded in their jurisdictions in the past two years, I do not have sufficient information to justify this augmentation.

Item 0860-001-0001—For support of the State Board of Equalization. I reduce this item from \$211,158,000 to \$210,843,000 by reducing:

- (1) 100000-Personal Services from \$275,822,880 to \$275,506,880;
- (2) 300000-Operating Expenses and Equipment from \$89,199,120 to \$89,030,120; and
- (3) Reimbursements from -\$104,504,000 to -\$104,334,000.

I am deleting the \$485,000 legislative augmentation for eight Consumer Use Tax collection positions. My Budget proposed, and the Legislature approved, seven new positions for this purpose. These positions are adequate to address workload needs.

Item 1111-002-0239—For support of the Bureau of Security and Investigative Services. I reduce this item from \$7,241,000 to \$6,958,000 by reducing:

- (1) 25.10.010-Bureau of Security and Investigative Services, Private Security Services Program from \$9,695,000 to \$9,412,000.

I am vetoing this legislative augmentation of \$283,000 and 3.0 positions for the Bureau of Security and Investigative Services. This augmentation is not based on a justified programmatic need, but rather was made because there is a growing fund reserve in the Private Security Services Fund. The growing fund balance reflects a need for the Bureau to reduce fees paid by registrants and is not a reason to increase staffing.

Item 1730-001-0001—For support of Franchise Tax Board. I reduce this item from \$508,091,000 to \$506,865,000, by reducing:

- (1) 10-Tax Programs from \$432,283,000 to \$431,057,000,

and by deleting Provision 8.

I am deleting the \$1,226,000 legislative augmentation that provides 14 additional positions to establish a Misdemeanor Program within the Franchise Tax Board. I am concerned that this program might result in charges against persons who innocently failed to recognize that they had taxable income. There is no indication that local prosecutors would be willing to pursue these cases. Consequently, the revenue projections associated with this augmentation are questionable.

I am deleting Provision 8 of this item. The provisional language would allow the Board to divert up to \$200,000 that is appropriated for activities designed to narrow the tax gap. Specifically, the language would allow the Board to hire outside consultants to study independent contractor withholding and tax compliance issues. I do not believe that funds appropriated for the tax gap proposals should be redirected for other purposes. Furthermore, the Board has studied this issue in the past, and it concluded that California should not take action on this issue unless the federal government takes similar action.

Item 1760-001-0666—For support of Department of General Services. I reduce this item from \$590,238,000 to \$584,086,000 by reducing:

(1) Program support from \$802,572,000 to \$796,420,000,

and by deleting Provision 12.

I am reducing \$6,152,000 and 114.0 personnel years from the Office of State Publishing (OSP) to realign expenditures and revenues. For the last several years, the OSP has not generated sufficient revenues to support its current operations.

I am deleting Provision 12, which would require the Department to provide a report that could lead to disclosure of confidential or proprietary information related to negotiated pharmaceutical contracts. Since trailer bill language also requires the Department to report on these contracts, and does so in a way that would not jeopardize the confidentiality of the negotiated pricing, this Provision is unnecessary.

Item 2150-001-0298—For support of Department of Financial Institutions. I reduce this item from \$18,882,000 to \$18,881,000, by reducing:

(5) 60-Credit Unions from \$3,827,000 to \$3,826,000.

I am reducing this item by \$1,000 to reflect the elimination of the Credit Union Advisory Committee. This is consistent with my commitment to eliminate unnecessary boards and commissions.

Item 2240-105-0001—For transfer to the Emergency Housing and Assistance Fund.

I am sustaining \$864,000 General Fund for the Emergency Housing Assistance Program in this item, on a one-time basis, to continue shelter beds during a transition period while new beds are developed under my proposal to create permanent housing with supportive services for the chronically homeless.

Item 2660-022-0042—For transfer by the Controller from the State Highway Account, State Transportation Fund, to the Environmental Enhancement and Mitigation Program Fund. I delete this item.

I am deleting the \$10,000,000 legislative augmentation for the discretionary Environmental Enhancement and Mitigation Demonstration Program that provides grants to local entities for highway landscaping, urban forestry, the purchase of resource lands, and roadside recreation such as the construction of hiking and biking trails. While preserving open space is an extremely important function in maintaining our environment, improving mobility and increasing maintenance for our state highways is critical. This augmentation is not the best use of scarce transportation funds.

Item 2660-101-0183—For local assistance, Department of Transportation. I delete this item.

I am deleting this item to conform to the action I have taken in Item 2660-022-0042.

Item 2660-102-0890—For local assistance, Department of Transportation. I revise this item by revising Provision 4 as follows:

"4. Of the amount appropriated in this item, \$5,000,000 is for regional blueprint planning grants. ~~Of the \$5,000,000, at least 20 percent of the funds shall be allocated by the Department of Transportation, in consultation with the Department of Housing and Community Development, for grants to those regional councils of governments that have Regional Housing Needs Assessment tasks scheduled for the 2005-06 fiscal year to assist with preparation of their Regional Housing Needs Assessment in order to coordinate and integrate housing and transportation planning to the extent allowable under federal law. If the Regional Housing Needs Assessment is determined to be a reimbursable state mandate pursuant to Section 6 of Article XIII B of the California Constitution, then any grants received by councils of governments to prepare the assessment under this item shall be considered an offsetting revenue for the purposes of claiming state reimbursement.~~"

I am revising Provision 4, because it would require the use of transportation funds for non-transportation purposes, which is not consistent with the intent of the regional blueprint planning program and may not be consistent with federal law.

Item 2665-001-0046—For support of the High-Speed Rail Authority. I reduce this item from \$4,251,000 to \$3,926,000 by reducing:

(1) 10-High-Speed Rail Authority from \$4,576,000 to \$3,926,000;

and by deleting:

(2) Reimbursements (-\$325,000);

and by deleting Provision 2.

I am deleting the legislative augmentation of \$650,000 and 0.5 positions to conduct a study of route alternatives and potential station locations along the Fresno-to-Bakersfield corridor. The High-Speed Rail Authority has already completed a study of this corridor and has not designated any station locations other than Fresno and Bakersfield.

I am deleting Provision 2 to conform to this action.

Item 3360-011-0381—For transfer by the Controller from the Public Interest Research, Development, and Demonstration Fund to the General Fund. I delete this item.

I am deleting the transfer of \$4,000,000 in interest earnings from the Public Interest Research, Development, and Demonstration Fund (PIER Fund) to the General Fund. The PIER Fund is a trust fund to be used for projects that benefit the ratepayers paying the surcharge. Consequently, interest earnings should remain in the fund to be used for projects that promote electricity efficiency and environmentally sustainable energy development.

Item 3480-001-0001—For support of Department of Conservation. I revise this item by reducing:

(3) 30-Land Resource Protection from \$4,256,000 to \$3,911,000, and

- (13) Amount payable from the Soil Conservation Fund (Item 3480-001-0141) from -\$2,599,000 to -\$2,254,000.

I am revising this item to conform to the action I have taken in Item 3480-001-0141.

Item 3480-001-0141—For support of Department of Conservation. I reduce this item from \$2,599,000 to \$2,254,000.

I am deleting the \$345,000 legislative augmentation to increase staffing for Williamson Act enforcement activities. The need for additional staff for enforcement of the Williamson Act has not been clearly demonstrated. Consequently, I am unable to support this augmentation from the limited resources in the Soil Conservation Fund.

Item 3600-001-0384—For support of Department of Fish and Game. I reduce this item from \$8,000,000 to \$4,000,000.

I am revising this item to conform to the action taken in Item 3640-401.

Item 3640-401—Wildlife Conservation Board. I revise this item as follows:

"Notwithstanding any other provision of law, the balance of revenues that would have been deposited in the California Housing Trust Fund and the Resources Trust Fund, pursuant to Section 6217 of the Public Resources Code, shall be allocated in the following order:

Provisions:

1. ~~\$8,000,000~~ \$2,000,000 shall be deposited into the State Parks and Recreation Fund for the Department of Parks and Recreation Maintenance and Park Ranger staff and deferred maintenance. It is the intent of the Legislature that this augmentation be used to establish up to 40 new parks positions. These funds are intended to be ongoing.
2. ~~\$8,000,000~~ \$4,000,000 shall be deposited into the Salmon and Steelhead Trout Restoration Account for salmon and steelhead trout restoration projects authorized by Section 62171 of the Public Resources Code, including, but not limited to, projects that implement the Coho Salmon Recovery Plan.
3. \$48,000,000 shall be deposited in the General Fund.
4. ~~\$3,000,000 shall be deposited into the Fish and Game Preservation Fund to continue operation of state fish hatcheries located in various regions of the state.~~
5. ~~\$3,000,000 shall be deposited into the State Parks and Recreation Fund for deferred maintenance.~~
6. Any revenues remaining after expenditure for the purposes specified in Provisions 1, 2, 3, 4, and 5, shall be deposited in the General Fund."

I am reducing Provisions 1 and 2, which would transfer Tidelands Oil Revenue to specified funds within the Department of Parks and Recreation for staffing and deferred maintenance projects, and the Department of Fish and Game for salmon and steelhead restoration and fish hatcheries. I am also deleting Provisions 4 and 5. Although the augmentations contained in these provisions may have merit, these reductions and deletions are necessary in light of our current fiscal situation and to ensure a prudent General Fund reserve.

I am revising this item to conform to the action I have taken in Items 3600-001-0200, 3600-001-0384, 3790-001-0001, and 3790-001-0392.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from \$10,751,000 to \$9,801,000 by reducing:

- (1) 10-Coastal Management Program from \$14,573,000 to \$13,973,000, and
- (2) 20-Coastal Energy Program from \$1,147,000 to \$797,000.

I am reducing this item by \$950,000 and eight positions for administration of Offers-to-Dedicate and review of Liquefied Natural Gas (LNG) applications and federal offshore oil leases. This augmentation may have merit; however, as presently proposed it would result in a General Fund cost. The Coastal Commission has sufficient resources to perform critical, high priority work such as the review of LNG applications. The Commission also has the authority to adjust its fees in order to fund its activities, and can address this issue and meet its workload obligations without impacting the General Fund.

Item 3760-301-0593—For capital outlay, State Coastal Conservancy. I reduce this item from \$950,000 to \$450,000 to make a technical correction to the Budget Bill by reducing:

- (1) 80.00.020-Public Access from \$950,000 to \$450,000.

I am deleting the \$500,000 legislative augmentation because there are insufficient funds in the Coastal Access Account to support this augmentation. With this technical correction, \$450,000 remains to support the Conservancy's efforts to accept and open Offers-to-Dedicate easements.

Item 3790-001-0001—For support of Department of Parks and Recreation. I revise this item by reducing:

- (1) For support of the Department of Parks and Recreation from \$353,003,000 to \$344,003,000, and
- (9) Amount payable from the State Parks and Recreation Fund (Item 3790-001-0392) from -\$134,779,000 to -\$125,779,000.

I am revising this item to conform to the actions taken in Items 3640-401 and 3790-001-0392.

Item 3790-001-0392—For support of Department of Parks and Recreation. I reduce this item from \$134,779,000 to \$125,779,000.

I am revising this item to conform to the actions taken in Items 3640-401 and 3790-001-0001.

Item 3900-001-0044—For support of Air Resources Board.

I am sustaining this legislative augmentation of \$12,500,000 to replace pre-1977 school buses. To ensure that this augmentation is spent most appropriately, I am directing the Air Resources Board to develop a plan by September 15, 2005, for allocation of these resources, and to submit this plan to the California Environmental Protection Agency for review and approval. The allocation plan must consider the overall financial capacity of the applicant to reasonably replace these buses without state assistance, the exposure to children, and the age of the buses slated for replacement.

Item 3900-001-0115—For support of Air Resources Board.

I am sustaining the redirection of \$10,000,000 from the Carl Moyer Program to fund the retrofitting of diesel school buses. The allocation criteria for Carl Moyer Program make it difficult for school bus projects to qualify for award and thus our children continue to be at risk. To ensure that these redirected funds are spent most appropriately, I am directing the Air Resources Board to develop a plan by September 15, 2005, for allocation of these resources, and to submit this plan to the California Environmental Protection Agency for review and approval. The allocation plan must consider the overall financial capacity of the applicant to reasonably replace these buses without state assistance, the exposure to children, and the age of the buses slated for replacement.

This redirection, along with the augmentation of Item 3900-001-0044 and the \$4,500,000 of Proposition 98 funding is a significant and important advancement in our protection of our children.

Item 3980-001-0001—For support of Office of Environmental Health Hazard Assessment. I reduce this item from \$8,852,000 to \$8,352,000 by reducing:

- (1) 10-Health Risk Assessment from \$16,924,000 to \$15,924,000;
- (6) Amount payable from the Department of Pesticide Regulation Fund (Item 3980-001-0106) from -\$1,120,000 to -\$870,000;

and by deleting:

- (7.5) Amount payable from the Waste Discharge Permit Fund (Item 3980-001-0193) (-\$250,000)

The Legislature augmented the Office of Environmental Health Hazard Assessment's (OEHHA's) budget by \$1,500,000. I am sustaining a \$500,000 General Fund augmentation to support OEHHA's scientific efforts to evaluate environmental risks. However, I am vetoing \$1,000,000 of the augmentation to support a prudent General Fund reserve and because there are insufficient funds available in the Department of Pesticide Regulation Fund.

Item 3980-001-0106—For support of Office of Environmental Health Hazard Assessment. I reduce this item from \$1,120,000 to \$870,000.

I am reducing this item by \$250,000 to conform to the actions I have taken in Item 3980-001-0001.

Item 3980-001-0193—For support of Office of Environmental Health Hazard Assessment. I delete this item.

I am deleting this item to conform to the actions I have taken in Item 3980-001-0001.

Item 4120-115-0001—For transfer by the Controller to the Trauma Care Fund. I am sustaining this item.

I am sustaining the \$10,000,000 legislative augmentation for trauma care services on a one-time basis because I am concerned about the financial stress experienced by many of our state's trauma centers. I recognize the critical role these health care facilities play in providing

access to essential medical services and the importance of addressing priority concerns such as securing on-call physicians and promoting hospital surge capacity for times of emergency. I am therefore sustaining this funding and directing the Emergency Medical Services Authority to work closely with local Emergency Medical Services Authorities to ensure these funds target priority needs and do not supplant existing funding.

Item 4260-001-0001—For support of Department of Health Services. I reduce this item from \$244,093,000 to \$241,093,000 by reducing:

(1) 10-Public and Environmental Health from \$313,379,000 to \$310,379,000,

and by deleting Provision 11.

I am deleting the \$3,000,000 legislative augmentation to continue the Improved Access, Counseling and Treatment for Californians with Prostate Cancer (IMPACT) program, as it is not prudent to expand programs in light of the projected structural deficit in 2006-07, and because of the absence of an evaluation of the effectiveness of the IMPACT program, especially given the 45 percent non-clinical overhead costs of the program. Without restructuring program operations, it is not clear that the benefits of this program for the small number of beneficiaries (341 in 2004-05) outweigh the costs. My Budget places a high priority on protecting health care services and maintains eligibility for health insurance for millions of low-income Californians. It increases funding for indigent health care services providing \$73,500,000 to support indigent healthcare in the California Healthcare for Indigents and Rural Health Services programs.

The IMPACT program was established as a pilot program in 2000-01 using one-time Tobacco Settlement Funds. It last received new funding by the Legislature in 2002-03. Since then, the program has used previously unspent funds to continue program services. These funds are exhausted. Given concerns that less than 60 percent of the appropriated funds are spent on direct patient care and the lack of an evaluation of the program's effectiveness, I am directing the department to evaluate the IMPACT program for programmatic and cost effectiveness. Any contractual funding for a prostate cancer treatment program must go to maximize services to the patients and minimize contractual costs and overhead. Continuing this program prior to the evaluation is imprudent.

I am deleting Provision 11 to conform to this action.

Item 4260-001-0626—For support of Department of Health Services. I delete Provision 1.

I am deleting Provision 1, which would require the Department of Health Services to use the interagency agreement process to conduct work related to small water systems. This Budget Bill language would limit the Department's flexibility to seek an external contract for these services if an interagency agreement is not a viable option if geographic restrictions preclude use of state staff or if there are other operational alternatives that would be beneficial to and less costly for the state.

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from \$12,670,181,000 to \$12,665,819,000 by reducing:

(3) 20.10.030-Benefits (Medical Care and Services) from \$29,401,653,000 to \$29,392,929,000;

- (9) Amount payable from the Federal Trust Fund (4260-101-0890) from -\$19,282,571,000 to -\$19,278,209,000;

and by deleting Provision 14.

I am deleting the legislative augmentation of \$3,362,000 for the Alameda Alliance for Health and Partnership HealthPlan of California. I believe California must expand its use of managed care for Medi-Cal beneficiaries in order to improve outcomes for this critical population and control growth of the program's costs. But before the state considers funding a rate increase to providers, which this augmentation would do, a thorough review of these managed care providers' financial records is necessary to determine the underlying causes of the financial status of the providers. The Department of Health Services will change the Partnership's contract date to allow time for a thorough review of the Partnership's reimbursement rate during the next budget cycle. There is an indication that past discretionary actions of the Alameda Alliance for Health are largely responsible for their current fiscal stress. It would be unwise for the state to provide fiscal relief to Alameda Alliance for Health until the Alameda Alliance for Health implements cost-saving strategies.

However, in the case of the San Diego Community Health Group, I have determined that vetoing \$2,000,000 million (\$1,000,000 General Fund) and sustaining \$3,000,000 (\$1,500,000 General Fund) is appropriate. Community Health Group has worked closely with the Department of Managed Health Care to restructure their finances and implement program efficiencies. In addition, this increase will partially compensate the Group for a Medi-Cal rate increase in 2000 that is not reflected in the Group's current rate. This action, combined with the significant rate reductions the Group has already negotiated with its key providers, will allow the Group to implement a sound fiscal plan to assure that the Group will be able to continue to provide services to a vulnerable population without additional rate increases next year.

I am also deleting the legislative augmentation of \$4,362,000 in Item 4260-101-0890 to conform to this action.

I am deleting Provision 14 because requiring the Administration to notify the Legislature whenever actual expenditures for a specific part of the Medi-Cal program are not consistent with the Medi-Cal Estimate would be unnecessarily burdensome. The Department of Health Services already provides the Legislature with a monthly report which compares components of the Medi-Cal Estimate to actual expenditures. Any information beyond this report would require an unreasonable expenditure of staff resources given that it would result in duplicative information, and the additive value of the information that it would provide is uncertain.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from \$19,282,571,000 to \$19,278,209,000.

I am reducing this item by \$4,362,000 to conform to my action in Item 4260-101-0001.

Item 4260-111-0001—For local assistance, Department of Health Services.

I am sustaining, on a one-time basis, the \$5,639,000 legislative augmentation which would restore Human Immunodeficiency Virus (HIV) Prevention and Education funding for various local health jurisdictions to 2001-02 funding levels. This Budget includes base General Fund support of approximately \$24.9 million, which is currently allocated to local health jurisdictions based on the California HIV Planning Group's formula to direct funds to those jurisdictions that have the highest prevalence of the disease. Supplemental program funding in 2006-07 beyond

the base funding of \$24.9 million should be reviewed in the context of competing priorities for limited General Fund resources.

Item 4270-001-0001—For support of California Medical Assistance Commission. I reduce this item from \$1,207,000 to \$1,126,000 by reducing:

- (1) 10-California Medical Assistance Commission from \$2,622,000 to \$2,460,000, and
- (2) Reimbursements from -\$1,307,000 to-\$1,226,000.

I am reducing this item by \$162,000 to disassociate commissioner salaries from the salaries provided to legislators. Instead, commissioner annual compensation will be \$50,000. This action more properly aligns commissioner salaries with the amount of work required to faithfully perform the duties required of commissioners.

Item 4280-104-0236—For local assistance, Managed Risk Medical Insurance Board, for the Healthy Families Program Rural Health Demonstration Project.

I am sustaining the \$1,000,000 legislative augmentation for the Rural Health Demonstration Project (RHDP) on a one-time basis. The RHDP provides a valuable service to explore how to improve access to health care services for the medically underserved and uninsured populations in rural areas, as well as for special populations.

Item 4440-295-0001—For local assistance, Department of Mental Health.

I am sustaining on a one-time basis the legislative augmentation of \$120,000,000 to fund counties for providing special education mental health services under the AB 3632 state mandate. These funds will ensure continued services while the state pursues transitioning from a state-mandated program to a categorical program.

To this end, I am directing the Department of Mental Health, in collaboration with the State Department of Education, to develop a plan to shift the program from a state-mandated program to a categorical program effective fiscal year 2006-07. This plan is to be developed in consultation with counties, school authorities, community mental health providers, and other private and public groups with an interest in mental health and special education issues. The plan will address the roles and responsibilities of local education agencies and counties in the provision of federally required mental health services, the type and scope of services to be provided, recommended changes in statute, regulations and practices necessary to implement the program, appropriate mechanisms to encourage and improve collaboration among education and mental health systems, and appropriate funding levels, fiscal controls, and auditing efforts. I am also directing the Department of Finance to provide consultation and assistance to ensure that the plan is fiscally sound.

A more effective system of delivery of this service must be found; sustaining this augmentation on a one-time basis only is to allow for a transition to such an alternative by 2006-07.

Item 4700-001-0001—For support of Department of Community Services and Development. I reduce this item from \$125,000 to \$75,000 by reducing:

- (1) 47-Naturalization Services from \$125,000 to \$75,000.

I am reducing the \$2,500,000 legislative augmentation for the Naturalization Services Program to the \$1,500,000 included in the 2004 Budget Act. This is a valuable program and I am therefore sustaining funding at last year's level to support services that assist immigrants in completing their citizenship application, citizenship testing, and in preparing for the interview. The Naturalization Services Program funds faith-based institutions, community-based organizations, and non-profit entities to provide these and many other important activities for immigrants.

I am also taking conforming action to reduce Item 4700-101-0001.

Item 4700-101-0001—For local assistance, Department of Community Services and Development. I reduce this item from \$2,375,000 to \$1,425,000 by reducing:

- (1) 47-Naturalization Services from \$2,375,000 to \$1,425,000.

I am reducing this item by \$950,000 to conform to the action taken in Item 4700-001-0001.

Item 5175-101-0890—For local assistance, Department of Child Support Services. I delete Provision 4.

I am deleting Provision 4, which would limit local child support agencies (LCSAs) to a 10 percent share of any federal penalty increases that may result from the expenditure of an additional \$20,000,000 federal funds to match voluntary county contributions to the Child Support Program. In 2004-05, the LCSAs agreed to provide for the full cost of any penalty increases that would result from these types of expenditures. Therefore, I am vetoing this provision because it contradicts the existing agreement that the state has with the LCSAs, and because it could result in General Fund expenditure increases without any regard to the availability of revenues. Should the state obtain relief from federal penalties, I am committed to proportionally sharing any penalty relief with LCSAs that choose to draw down additional federal funds.

Item 5180-001-0001—For support of Department of Social Services. I reduce this item from \$78,630,000 to \$77,155,000 by reducing:

- (2) 25-Social Services and Licensing from \$139,798,000 to \$138,248,000, and
- (11) Amount payable from the Federal Trust Fund (Item 5180-001-0890) from -\$337,180,000 to -\$337,105,000.

I am deleting the \$1,400,000 legislative augmentation that would restore a portion of the Department of Social Services' (DSS) General Fund unallocated reduction. The Legislature calculated that this amount of funding is equal to the Community Care Licensing Division's share of the Department's unallocated reduction. I share the Legislature's concerns with protecting the health and safety of vulnerable clients cared for in community care facilities as evidenced by my recent increase of \$1,140,000 General Fund to address additional workload resulting from caseload growth in the Community Care Licensing Division.

The DSS is currently making a substantial effort to identify and implement efficiencies within the Community Care Licensing Division, thereby prioritizing existing resources on monitoring and oversight responsibilities. In addition, the DSS has recently undertaken an aggressive hiring campaign to fill longstanding vacancies within this division that resulted from hiring freezes during the previous Administration and prior unallocated reductions passed by the Legislature.

However, such a significant hiring process takes time and the Department will still realize savings from positions not filled for the entire fiscal year. These savings will help the Department achieve its full unallocated reduction without adversely impacting the critical services the department provides to our children and families.

To maximize protection of our state's most vulnerable populations, I am directing the Health and Human Services Agency to conduct a thorough review of licensing activities in all Agency Departments. This review will identify needed programmatic and fiscal changes in the licensing programs.

I also am deleting \$150,000 (\$75,000 General Fund) and one position added by the Legislature to assist counties in complying with the federal Indian Child Welfare Act (ICWA). The DSS has a number of positions involved in oversight and management functions to support tribal issues and ICWA compliance, including one ICWA specialist position dedicated to advocate and facilitate compliance with ICWA laws, regulations, and policies in California. Given the ongoing structural deficit and the existing resources devoted to ICWA compliance, I cannot support this augmentation. However, recognizing the Legislature's desire to have an ICWA coordinator in the DSS Executive Office, I am directing the DSS to redirect the existing ICWA specialist position to the Office of the Director.

Item 5180-001-0890—For support of Department of Social Services. I reduce this item from \$337,180,000 to \$337,105,000.

I am revising this item to conform to the action I have taken in Item 5180-001-0001.

Item 5180-101-0001—For local assistance, Department of Social Services. I revise this item by reducing:

- (1) 16.30-CalWORKs from \$4,979,156,000 to \$4,954,156,000, and
- (6) Amount payable from the Federal Trust Fund (Item 5180-101-0890) from -\$3,846,720,000 to -\$3,821,720,000.

I am revising this item to conform to the action I have taken in Item 5180-101-0890.

Item 5180-101-0890—For local assistance, Department of Social Services. I reduce this item from \$3,846,720,000 to \$3,821,720,000.

I am reducing \$25,000,000 in federal Temporary Assistance for Needy Families (TANF) Block Grant funds for CalWORKs administration to modify the effect of language included in the trailer bill to provide up to \$50,000,000 in unspent 2004-05 CalWORKs single allocation funds to counties in 2005-06. The Legislature increased funding for the administration of this program based on an alternate projection of savings associated with shifting from retrospective budgeting/monthly reporting for eligibility determination to prospective budgeting/quarterly reporting. I am sustaining \$25,000,000 of the allocation on a one-time basis to ensure the counties have adequate resources to support work participation activities. I am also directing the Department of Social Services to work with the counties to determine the true impact of quarterly reporting requirements for CalWORKs recipients, to reflect the appropriate level of savings in my January Budget.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from \$424,392,000 to \$413,401,000 by reducing:

- (1) 16.75-County Administration and Automation Projects from \$1,050,018,000 to \$1,023,732,000, and
- (3) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from -\$569,817,000 to -\$554,522,000.

I am deleting the legislative augmentation of \$2,545,000 (\$991,000 General Fund and \$1,554,000 Federal Trust Fund) for Foster Care Administration. The Legislature reinvested Foster Care Administration caseload savings back into Foster Care Administration. This veto would re-establish funding for this program at the level I proposed in the May Revision, which accurately reflects Foster Care Administration funding needs based on the projected foster care caseload in 2005-06.

I am deleting the legislative augmentation of \$23,741,000 (\$10,000,000 General Fund and \$13,741,000 Federal Trust Fund) for Food Stamp and California Food Assistance Program (CFAP) administration. The Legislature increased funding for the administration of these programs based on an alternate projection of savings associated with shifting from retrospective budgeting/monthly reporting for eligibility determination to prospective budgeting/quarterly reporting. This veto would re-establish funding for Food Stamp and CFAP administration at the level I included in the May Revision. I am directing the Department of Social Services to work with the counties to determine the true impact of quarterly reporting requirements for food stamps recipients to reflect the appropriate level of savings in my January Budget.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from \$569,817,000 to \$554,522,000.

I am reducing this item to conform to the action I have taken in Item 5180-141-0001.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from \$764,894,000 to \$761,294,000 by reducing:

- (1) 25.30-Children and Adult Services and Licensing from \$2,221,743,000 to \$2,215,914,000, and
- (6) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from -\$1,382,198,000 to -\$1,379,969,000.

I am deleting the legislative augmentations of \$5,600,000 (\$3,500,000 General Fund) for the Child Welfare Services (CWS) Outcome Improvement Project and \$229,000 (\$100,000 General Fund) for Adoption Assistance Program (AAP) training. These reductions are necessary to limit program expansions and to help bring ongoing expenditures in line with existing resources due to the projected structural deficit in 2006-07.

The May Revision included a comprehensive funding package that provides sufficient resources to support ongoing CWS Program Improvement Plan initiatives, fund implementation of county System Improvement Plans, and improve outcomes for children in 2005-06. The legislative augmentation exceeds the level of funding that is necessary to implement approved CWS program improvement initiatives and strategies, achieve compliance with federal performance requirements, and avoid federal penalties.

With this reduction, \$26.6 million in total funds still remains to support ongoing Program Improvement Plan activities and the CWS Outcome Improvement Project in 2005-06. Of this amount, a new investment of \$12.8 million will be available for all counties to implement their System Improvement Plans. The Department of Social Services (DSS) will work with the County Welfare Directors Association to develop an application and approval process to allocate these funds.

Similarly, the legislative augmentation for AAP training is unnecessary as the DSS intends to increase efforts in 2005-06 to provide training and technical assistance to county social workers regarding the eligibility determination process for the AAP within existing resources.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from \$1,382,198,000 to \$1,379,969,000.

I am reducing this item to conform to the action I have taken in Item 5180-151-0001.

Item 5225-001-0001—For support of the Department of Corrections and Rehabilitation. I revise this item from \$6,623,170,000 to \$6,623,060,000 by reducing:

(9) 35-Board of Parole Hearings from \$78,707,000 to \$78,597,000,

and by deleting Provision 25.

I am deleting the legislative augmentation of \$110,000, which would provide additional staff for the Foreign Prisoner Transfer Program to increase outreach and marketing efforts to encourage more foreign prisoners to volunteer to be transferred back to their country of origin. The Board of Parole Hearings has staff to operate this program and is already taking steps to increase inmate awareness of the program. Transfers are not due to a lack of staff but other factors, such as the willingness of prisoners to volunteer to transfer, the willingness of the other countries to accept the prisoner and agree to California sentencing requirements, and treaties with other nations. Therefore, this augmentation is not necessary.

I am deleting Provision 25 to make a technical correction to the Budget Bill. Provision 29 of this item includes similar language that correctly reflects the Legislature's action on this issue.

Item 6110-001-0001—For support of Department of Education. I reduce this item from \$42,674,000 to \$42,206,000 by reducing:

(3) 30-Special Programs from \$50,109,000 to \$49,141,000;

(9) Amount payable from Federal Trust Fund (Item 6110-001-0890) from -\$149,985,000 to -\$149,485,000;

and by deleting Provision 3.

I am reducing this item by \$468,000 and 4.6 positions to eliminate support for the Healthy Start program which conforms to my action taken in Item 6110-200-0001.

Item 6110-001-0890—For support of Department of Education. I reduce this item from \$149,985,000 to \$149,485,000.

I am deleting the \$500,000 augmentation to the Legislative Analyst's Office to study the distribution of federal and state supplementary funding targeted at the State's economically disadvantaged and English language learner students. The use of federal funds to study funding formulas for state programs is inappropriate and may constitute an audit exception. Further, this augmentation is unnecessary. The work group I have already directed, consisting of the Office of the Secretary for Education, the Legislative Analyst's Office, and the State Department of Education, could address this issue at an absorbable cost.

I am deleting Provision 18.5 to conform to this action.

Item 6110-123-0890—For local assistance, Department of Education (Proposition 98). I reduce this item from \$65,141,000 to \$51,329,000 by reducing:

- (2) 20.60.030.038-Comprehensive School Reform Program from \$43,839,000 to \$30,027,000.

I am deleting the \$13,812,000 legislative augmentation in carryover for this program. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to low-achieving schools and districts to improve the academic performance of their pupils. Consequently, I will pursue future legislation appropriating these funds for that purpose and continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

Item 6110-125-0890—For local assistance, Department of Education. I reduce this item from \$294,959,000 to \$275,759,000 by reducing:

- (2) 10.30.010-Title I, Migrant Education from \$144,461,000 to \$125,261,000.

I am deleting the \$19,200,000 legislative augmentation in carryover for this program. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to the low-achieving schools and districts that have large populations of migrant students to improve the academic performance of these pupils. Consequently, I will pursue future legislation appropriating these funds, and I will continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

Item 6110-136-0890—For local assistance, Department of Education. I reduce this item from \$1,846,724,000 to \$1,805,187,000 by reducing:

- (1) 10.30.060-Title I-ESEA from \$1,751,527,000 to \$1,727,227,000;
- (3) 10.30.080-Title I-School Improvement from \$86,477,000 to \$69,240,000;

and by revising Provision 5.

I am deleting the \$41,537,000 legislative augmentation in carryover for these programs. These funds were originally included in the No Child Left Behind Act flexibility proposal for carryover

funds. Because the number of schools and districts identified as "program improvement" under the federal school accountability system has significantly increased, I believe it is a higher priority to target these carryover funds directly to low-achieving schools and districts to improve the academic performance of their pupils. Consequently, I will pursue future legislation appropriating these funds and continue to work with the federal government through the State Board of Education to obtain approval of a No Child Left Behind Act flexibility proposal.

I am revising Provision 5 to conform to this action.

"5. Of the funds appropriated in Schedule (3), ~~\$46,477,000~~ \$29,240,000 shall be available pursuant to Article 3.1 (commencing with Section 52055.57) of Chapter 6.1 of Part 28 of the Education Code, for Title I district accountability."

Item 6110-161-0001—For local assistance, Department of Education, (Proposition 98) Special Education. I reduce this item from \$2,894,790,000 to \$2,890,022,000 by reducing:

(1) 10.60.050.003-Special education instruction from \$2,831,196,000 to \$2,826,428,000, and by revising Provision 24.

I am deleting \$4,768,000 from Provision 24 of this item to correct a technical over-appropriation which should have been offset by a corresponding increase in property tax estimates assumed as part of the final budget agreement. I am setting these funds aside for appropriation in subsequent legislation for other Proposition 98 priorities.

I am revising Provision 24 to conform to this action:

"24. Of the amount appropriated in Schedule (1), ~~\$52,620,000~~ \$47,852,000 is available for the 2005–06 fiscal year on a one-time basis. Local educational agencies shall use these funds for one-time purposes, including, but not limited to, the following: to assist students with disabilities pass the California High School Exit Examination, instructional materials, or other one-time expenditures for students with disabilities."

I am sustaining the remainder of this appropriation with the understanding that subsequent clean-up legislation will correct various technical issues in both this item and in Item 6110-161-0890 that concern funding for students with disabilities, including a correction that will identify the amount passed through to Special Education Local Plan Areas (SELPA's) in Provision 21 as \$58.4 million rather than the lesser amount currently specified. I further expect that subsequent legislation will specify that the first priority for the use of the amount of funding remaining in Provision 24 for allocation to SELPA's will be to help students with disabilities pass the state's High School Exit Exam.

Item 6110-191-0001—For local assistance, Department of Education (Proposition 98). I delete this item.

I am deleting the \$20,000,000 for purchase of supplemental materials for English language learners that was shifted by the Legislature from Instructional Materials in Item 6110-189-0001. The action by the Legislature to link this funding to the funding appropriated for Career-Technical Education through Control Section 24.50 is unconstitutional and attempts to usurp the authority of the Governor to veto items of appropriation. Furthermore, the Budget Act of 2004 contained \$30,000,000 for supplemental materials for English language learners that has yet to

be allocated. Therefore, this additional appropriation is premature. I am setting these funds aside for appropriation in subsequent legislation for other Proposition 98 priorities.

Item 6110-200-0001—For local assistance, Department of Education. I delete this item.

I am deleting this \$2,000,000 legislative augmentation because the one-time funding included in the 2004 Budget Act for this program was intended to fully fund both the planning and operational grants for each grantee, thus not resulting in any future-year obligations for the State. I am therefore setting these funds aside for appropriation in subsequent legislation that ensures that any grants provided this year will eliminate any subsequent funding pressures or obligations on the state in the future. This action will have no effect on schools currently operating these programs, as full funding for their multi-year grant periods has been provided in past budgets.

Item 6110-243-0001—For local assistance, Department of Education. I am sustaining this item.

I am sustaining the \$20,000,000 legislative augmentation because it is a high priority of my Administration to provide the services necessary to help eligible pupils pass the California High School Exit Exam. It is my understanding that further legislation will be enacted to address some concerns I have with the language contained in this item. For instance, the language would allow the services to be provided during the regular school day, which would likely remove these pupils from other important instructional opportunities. In addition, this item only contains funding for two of the four currently funded supplemental instruction programs, which delays allocation of funds and inhibits flexibility. Therefore, it is my expectation that legislation will also restore the supplemental programs contained in this item back to the original supplemental instruction funding item to resolve these issues and maximize the level of funding available to serve students who have failed or are likely to fail the exit exam.

Item 6440-006-0001—For support of University of California. I delete this item and Provision 1.

I am deleting this item which reflects a legislative augmentation of \$108,000 to support California's membership in the Western Interstate Commission for Higher Education (WICHE). When acting on the 2004 Budget last year, the Legislature deleted funding for membership dues for WICHE, as well as other state membership dues because of the fiscal condition of the state. It is my understanding that the higher education segments have agreed to fund their share of the membership dues in this budget year as well.

Item 6610-002-0001—For support of California State University. I reduce this item from \$3,034,000 to \$2,807,000 by reducing:

- (1) Center for California Studies-Fellows Program from \$610,000 to \$602,653;
- (3) Assembly Fellows from \$597,851 to \$537,354;
- (4) Senate Fellows from \$597,851 to \$537,354;
- (5) Executive Fellows from \$597,351 to \$536,854;
- (6) Judicial Fellows from \$421,659 to \$386,647; and
- (7) LegiSchool Project from \$116,788 to \$113,638.

I am reducing the legislative augmentation for the Capital Fellows Programs from \$309,000 to \$82,000, reflecting an overall increase of three percent in base funding for these programs, consistent with the Compact for Higher Education.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98). I revise this item by deleting Provision 6.6 to conform to the action I have taken in Control Section 24.50.

Consistent with my action in Control Section 24.50, I am deleting Provision 6.6 which states legislative intent to fund Career Technical Education pursuant to the Legislature's addition of Control Section 24.50. Control Section 24.50 would require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship, thus the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from my veto of Control Section 24.50 to provide support for Career Technical Education in separate legislation.

I am deleting Provision 6.6 to conform.

Item 6870-486—Reappropriation (Proposition 98), Board of Governors of the California Community Colleges. I revise this item from \$33,000,000 to \$15,600,000 as follows:

~~"6870-486—Reappropriation (Proposition 98), Board of Governors of the California Community Colleges. The sum of \$33,000,000 \$15,600,000 is reappropriated from the Proposition 98 Reversion Account, for the purpose of backfilling a projected shortfall in 2004-05 local property tax revenues for community colleges. To the extent that the funding provided for this purpose exceeds the amount necessary to compensate community colleges for the shortfall in local property tax revenues, the remaining funding shall be reappropriated to community colleges to further support equalizing community college apportionment rates."~~

I am reducing the Legislature's augmentation to community colleges to backfill a projected shortfall in 2004-05 local property tax revenues from \$33,000,000 to \$15,600,000. I am advised that the community colleges will experience a shortfall not greater than \$21,000,000 in the current year. Furthermore, the community colleges are not likely to earn all growth funding for 2004-05, and as such the system would not incur the costs of instruction anticipated for the current year. Given the continuing structural deficit facing the state, a portion of these resources should therefore be utilized for higher priorities. Consistent with that approach, I am setting aside this \$17,400,000, in combination with the set aside of \$20,000,000 from my action on Control Section 24.50, to provide support for Career Technical Education pursuant to separate legislation.

Item 7980-001-0784—For support of Student Aid Commission. I delete Provision 4.

I am deleting Provision 4 because it would limit the Commission's authority to carry out its statutory authority by requiring advance notification of specified actions related to the governance structure and roles and responsibilities of the EdFUND Board of Directors. Additionally, this provision's expressed intent regarding the sale or transfer of the federal loan

guarantee to another entity is a policy matter that should be addressed only after thoughtful deliberation by the Legislature and the Administration.

Chapter 961, Statutes of 1996, authorizes the Student Aid Commission to establish an auxiliary organization for the purpose of providing operational and administrative services for the Commission's participation in the Federal Family Education Loan Program. Among other duties and responsibilities, the Commission is empowered to nominate and appoint a board of directors for the auxiliary organization. As such, Provision 4 infringes on the Executive Branch's ability to operate programs and establishes a substantive change in law.

Item 7980-101-0001—For local assistance, Student Aid Commission. I am sustaining this item.

I am sustaining the legislative authorization contained in subdivision (e) of Provision 1 for an augmentation of 300 additional APLE loan assumption warrants because loan assumptions are a critical incentive to encourage science and math majors to become teachers. However, given the budget agreement to fund the Science and Math Teacher Initiative in the University of California and California State University segments, it is necessary that this provision be modified in subsequent legislation to make these additional warrants available exclusively to candidates participating in the initiative, as determined by the segments. In this way, we can assure the success of the initiative to provide our students with the most proficient science and math teachers possible, which is critical to California's future economic well-being.

Item 7100-001-0001—For support of Employment Development Department. I reduce this item from \$22,679,000 to \$22,186,000.

I am reducing the legislative augmentation by \$493,000, which would provide funding for increasing the department's efforts to collect employment taxes owed to the state. In recognition of the potential merits associated with this effort, I am sustaining \$2,194,000 of the augmentation. This reduction is necessary to reflect a more realistic timeframe for the implementation of this effort.

Item 7100-001-0514—For support of Employment Development Department. I delete Provision 3.

Provision 3 sets aside \$2,500,000 from this item to fund a health care training program to be adopted in legislation during the 2005-06 session. I am concerned about restricting the use of this funding for legislation that has not yet been passed by the Legislature.

California has a real and growing nursing shortage. California will have a shortage of 47,600 nurses by 2010. This means that California will need an additional 9,500 nurses every year for the next five years just to meet demand. California is currently ill-equipped to meet that demand. That is why my Administration has recently developed a multifaceted, comprehensive program of more than \$100,000,000 to build California's capacity to train nurses. Provision 3 would unnecessarily hamper the efforts my Administration has embarked upon in this regard.

Item 7100-001-0588—For support of Employment Development Department. I reduce this item from \$214,699,000 to \$214,488,000.

I am reducing the legislative augmentation by \$211,000 which would provide funding for increasing the department's efforts to collect employment taxes owed to the state. In recognition of the potential merits associated with this effort, I am sustaining \$940,000 of the augmentation. This reduction reflects the anticipated timeframe for the implementation of this effort.

Item 7100-001-0870—For support of Employment Development Department. I revise this item by reducing:

- (2) 21-Tax Collections and Benefit Payments from \$647,908,000 to \$647,204,000;
- (9) Amount payable from the General Fund (Item 7100-001-0001) from -\$22,679,000 to -\$22,186,000; and
- (13) Amount payable from the Unemployment Compensation Disability Fund (Item 7100-001-0588) from -\$214,699,000 to -\$214,488,000.

In recognition of the potential merits associated with increasing the efforts to collect employment taxes owed to the state, I am sustaining \$3,134,000 of the \$3,838,000 augmentation to provide funding for 50 auditors and collectors in the Tax Collections and Benefits Payments Program. I am reducing the legislative augmentation by \$704,000 to reflect the anticipated timeframe within which these new personnel will be hired by the Department.

This action conforms to the reductions of Items 7100-001-0001 and 7100-001-0588.

Item 7350-001-0001—For support of Department of Industrial Relations. I reduce this item from \$64,249,000 to \$61,249,000 by reducing:

- (6) 50-Division of Labor Standards Enforcement from \$49,983,000 to \$46,983,000,

and by deleting Provision 2.

I am deleting the legislative augmentation that provided \$3,000,000 and 30.4 personnel years to expand enforcement efforts by the Labor Commissioner and the Bureau of Field Enforcement. In the years prior to my arrival in Sacramento, literally dozens of new laws were added to the California Labor Code. Unfortunately, while all these new laws were being added to the Labor Code, the number of labor law officials actually enforcing the laws was slashed dramatically. In fact, when my Administration began in November 2003, not a single enforcement official was based in the Central Valley. This disregard for the importance of vigorous labor law enforcement allowed the underground economy to flourish.

In January, I proposed, and this Budget creates, the Economic and Employment Enforcement Coalition (EEEC). The EEEEC will coordinate underground economy enforcement activities by the Department of Industrial Relations (DIR), the Employment Development Department, the Contractors State License Board, and others. The Budget provides the EEEEC with 63 positions, including \$3,026,000 and 27.5 personnel years for DIR. Also, a concerted effort was made to create these positions without using General Fund dollars, allowing those dollars to be used for other high-priority needs.

I am deleting Provision 2 to conform to this action.

Item 8660-001-0461—For support of Public Utilities Commission. I reduce this item from \$8,785,000 to \$8,502,000.

The Legislature augmented the Public Utilities Commission's (PUC's) rail safety program by \$1,242,000. Because rail safety is of paramount importance, I am sustaining \$959,000 of this augmentation on a one-time basis. I am reducing this augmentation by \$283,000 that was

intended for additional legal staff and governmental liaisons because they are unnecessary to increase railroad safety inspections and investigations. In addition, the State Auditor recently issued a report identifying deficiencies in the PUC's accounting practices in this program. Consequently, continuation of this augmentation will be dependent upon the PUC rectifying these deficiencies and ensuring that the fees which support this program are fully allocated to these activities.

Item 8660-001-0462—For support of Public Utilities Commission. I revise this item by reducing:

- (1) 10-Regulation of Utilities from \$88,887,000 to \$87,887,000;
- (3) 20-Regulation of Transportation from \$16,043,000 to \$15,760,000;
- (10) Amount payable from the Public Utilities Commission Transportation Reimbursement Account (Item 8660-001-0461) from -\$8,785,000 to -\$8,502,000;
- (18) Amount payable from the Public Utilities Commission Ratepayer Advocate Account (Item 8660-001-3089) from -\$19,379,000 to -\$18,379,000.

I am revising this item to conform to the actions I have taken in Items 8660-001-0461, 8660-001-3089, and 8660-011-0462.

Item 8660-001-3089—For support of the Public Utilities Commission. I reduce this item from \$19,379,000 to \$18,379,000.

I am deleting the \$1,000,000 legislative augmentation to fund an additional 10.0 positions in the Office of Ratepayer Advocates' (ORA) telecommunications division. The ORA already has 122 positions and did not provide sufficient workload detail to justify additional positions. If the ORA can identify critical work that is not being performed by the existing staff, it can be considered in next year's budget.

Item 8660-011-0462—For transfer by the Controller from the Public Utilities Commission Utilities Reimbursement Account to the Public Utilities Commission Ratepayer Advocate Account. I reduce this item from (\$19,379,000) to (\$18,379,000).

I am reducing this item by \$1,000,000 to conform to the actions I have taken in Items 8660-001-0462 and 8660-001-3089.

Item 8855-001-0001—For support of Bureau of State Audits. I reduce this item from \$14,232,000 to \$13,082,000 by reducing:

- (1) 10-State Auditor from \$14,232,000 to \$13,082,000.

I am deleting the \$1,150,000 legislative augmentation to the Bureau of State Audits. Augmenting this item is inconsistent with the creation of the Office of Inspector General since the Administration does not oversee or direct the activities of the Bureau of State Audits.

Item 8860-001-0001—For support of Department of Finance. I reduce this item from \$34,542,000 to \$33,392,000 by reducing:

- (2) 20-Program and Information System Assessments from \$15,361,000 to \$14,211,000.

I proposed a new Office of the State Inspector General, but the Legislature rejected my proposal and augmented this item by \$1,150,000 to provide funding for staffing and associated resources for additional audits by the Office of State Audits and Evaluations in the Department of Finance. These audits would assess and strengthen the internal accounting and administrative control systems to minimize fraud, errors, abuse, and waste of government funds within any department or agency reorganized in the 2005-06 Legislative Session.

I am deleting the legislative augmentation because it does not address the identified need. The Office of the State Inspector General would have a much broader purview than the Department of Finance, which conducts fiscal audits and provides accounting advice to departments. My proposal would require criminal investigations that the Department of Finance does not have the authority to conduct. Additionally, Department of Finance staff does not have the experience or training to work in an arena controlled by the rules of evidence for criminal proceedings. I will bring my proposal for a meaningful and effective Office of Inspector General back next year.

Item 8940-001-0604—For support of Military Department. I reduce this item from \$5,200,000 to \$2,200,000 by reducing:

- (1) 10-Army National Guard from \$5,200,000 to \$2,200,000.

I am reducing the legislative augmentation to make additional repairs to existing armories throughout the state from \$3,700,000 to \$700,000. With this action, the Military Department will have \$2,200,000 to begin addressing maintenance and repair needs at armories.

I am directing the Office of the Adjutant General to complete a comprehensive review of its facility needs, including an assessment of deferred maintenance needs for the armories.

Further, there is a substantial backlog of deferred maintenance at other buildings under the state's management, and this augmentation would have privileged armories over other needs for maintenance of higher priority.

I am also deleting Item 8940-002-0001 to conform to this action.

Item 8940-002-0001—For transfer by the Controller to the Armory Fund. I delete this item.

I am deleting \$3,000,000 in this item to conform to the action I have taken in Item 8940-001-0604.

Item SEC. 4.10—Reporting Requirements for Unallocated Reductions. I delete this Control Section.

I am deleting this control section that requires the Director of Finance to report to the Legislature by December 10, 2005, on the impact of the unallocated reductions included in the 2005 Budget Act. This language is an infringement on the Executive Branch's budget development process as the information necessary to produce this report may include budgetary decisions that would not be reached until the preparation of the 2006-07 Governor's Budget was complete.

SEC. 12.75—Basic Aid District Reduction. I revise this Control Section to delete the \$280,000 legislative augmentation to basic aid district categorical funding. The Budget still provides \$1,260,000 to reduce cuts made to basic aid district categorical funding in the 2003-04 Budget. However, I am setting aside these additional funds for appropriation in subsequent legislation

for other Proposition 98 priorities. The total reduction to basic aid district categorical funding in the 2005-06 fiscal year is \$1,406,000.

I am revising Control Section 12.75 as follows:

"SEC. 12.75. The Superintendent of Public Instruction shall reduce by ~~\$1,126,000~~ 1,406,000 funding for basic aid school districts from the Proposition 98 categorical funds appropriated in this act that would otherwise be allocated to basic aid school districts, in accordance with legislation that goes into effect on or before January 1, 2006."

Item SEC. 24.50—Career Technical Education. I delete this Control Section.

I am deleting the Legislature's addition of this Control Section to require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship, thus the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from this veto to provide support for the Career Technical Education proposal in separate legislation.

I am also deleting Provision 6.6 of Item 6870-101-0001 to conform to this action.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 77.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER

State of California
Governor's Office

I object to the following appropriations contained in Senate Bill 80.

Item 0250-101-0932—For local assistance, Judicial Branch. I revise this item from \$2,513,466,000 to \$2,488,916,000 by reducing:

- (1) 45.10-Support for operation of the Trial Courts from \$2,183,763,000 to \$2,159,213,000, and deleting Provision 8.

I am reducing this item by \$24,550,000. The Legislature adopted Uniform Civil Filing Fees trailer bill language that would result in increased revenue of \$14,750,000 in 2005-06 and \$29,500,000 beginning in 2006-07 to the Trial Court Trust Fund. The Legislature also increased appropriation authority in this item by \$29,500,000 beginning in 2005-06. I am vetoing \$14,750,000 to reduce the appropriation authority consistent with the increased level of revenue in 2005-06. In addition, a related veto in Item 0250-111-0001 is reducing the General Fund transfer to the Trial Court Trust Fund by \$9,800,000. Therefore, I am also vetoing \$9,800,000 in this item to conform to that action. The remaining \$4,950,000 will be available as additional expenditure authority to the Trial Court Trust Fund for the facilities program.

I am deleting Provision 8 which would specify the method of allocating additional funds received through a statutorily required adjustment based on the percentage change in the State Appropriations Limit. As a separate and co-equal branch of state government, the Judicial Branch should have the flexibility to allocate these funds based on the operational needs of the trial courts and not according to a methodology imposed by the Legislature.

Item 0520-001-0001—For support of Secretary for Business, Transportation and Housing. I reduce this item from \$8,828,000 to \$8,678,000.

I am deleting the \$150,000 legislative augmentation which provides funding for the Small Business Advocate within the Business, Transportation and Housing Agency. I am a strong proponent of keeping California's business climate positive and helping business development, and believe that small businesses would be best served with this interagency coordinating function remaining at the Governor's Office of Planning and Research. The Office of Planning and Research should perform this function within existing resources.

Item 0520-001-0044—For support of Secretary for Business, Transportation and Housing. I revise this item by reducing:

- (2) 25-Infrastructure Finance and Economic Development Program from \$15,700,000 to \$13,550,000;
- (5) Amount payable from the General Fund (Item 0520-001-0001) from -\$8,828,000 to -\$8,678,000;

and by deleting:

- (9) Amount payable from the Chrome Plating Pollution Prevention Account (Item 0520-001-9329) (-\$2,000,000).

I am reducing this item to conform to the actions I have taken in Items 0520-001-0001 of this bill and 0520-001-9329 of the Budget Act.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from \$44,431,000 to \$38,431,000 by reducing:

- (1) 20-Biodiversity Conservation Program from \$132,172,000 to \$128,172,000;
- (2) 25-Hunting, Fishing and Public Use from \$48,920,000 to \$44,920,000;
- (4) 40-Conservation Education and Enforcement from \$55,643,000 to \$50,643,000;
- (12) Amount payable from the Fish and Game Preservation Fund (Item 3600-001-0200) from-\$98,919,000 to -\$95,919,000;
- (18.5) Amount payable from the Salmon and Steelhead Trout Restoration Account (Item 3600-001-0384) from -\$8,000,000 to -\$4,000,000;

and by deleting Provisions 3 and 4 to conform to this action.

I am deleting the \$5,000,000 legislative augmentation to create 40 new game warden positions. The Department has 352 warden positions available to enforce California's Fish and Game laws. While I am supportive of enforcing California's Fish and Game Code, I am unable to concur in this specific augmentation because of the need to ensure a prudent reserve for economic uncertainties. I am deleting Provision 3 to conform to this action.

I am deleting the \$1,000,000 legislative augmentation to create 7.0 positions for the Wild and Heritage Trout Program. I am deleting Provision 4 to conform to this action.

I am also revising this item to conform to the action I have taken in Item 3600-001-0200 and Item 3600-001-0384.

These reductions are necessary to provide for a prudent General Fund reserve in light of the state's current fiscal condition. With these reductions, \$272,209,000 still remains to support these programs.

Item 3600-001-0200—For support of Department of Fish and Game. I reduce this item from \$98,919,000 to \$95,919,000.

I am deleting the \$3,000,000 legislative augmentation which would increase funding for fish hatchery operations to conform to the action I have taken in Items 3640-401 and 3600-001-0001.

Item 6440-001-0001—For support of University of California. I reduce this item from \$2,618,386,000 to \$2,614,585,000 by reducing:

(1) Support from \$2,534,890,000 to \$2,531,089,000,

and by revising Provisions 12 and 13 and by deleting Provision 25.

I am deleting the \$3,800,000 legislative augmentation for the Labor Institute. The Legislature's action restores funding that was provided on a one-time basis in the 2004 Budget Act and these reductions are needed to help bring ongoing expenditures in line with existing resources.

I am deleting Provision 25 to conform to this action.

I am also reducing this item by \$1,000 and revising Provision 12 to eliminate the Legislature's requirement that the California State Summer School for Math and Science (COSMOS) be evaluated consistent with the accountability framework for outreach programs that was developed by the University in April 2005. This program is not an outreach program focused on increasing the academic performance of disadvantaged students; therefore, an evaluation on that basis would not be productive. The \$1,000 reduction reflects savings by revising Provision 12, as follows, to eliminate the unproductive effort required by the Provision:

"12. It is the intent of the Legislature that the University of California report by April 1, 2006, on the outcomes and effectiveness of COSMOS, ~~consistent with the accountability framework developed by the University of California for student academic preparation and education programs in April 2005.~~"

I am revising Provision 13 to eliminate the Legislature's requirement that the Welfare Policy Research Project be located at the University of California at Berkeley campus. This is an internal issue to the University, and as such, both usurps the autonomy of the University and the authority of the Executive Branch to operate programs. I am revising Provision 13 to conform to this action as follows:

"13. The amount appropriated in Schedule (1) includes funding for the University of California ~~at Berkeley, Institute for Governmental Studies,~~ to support the Welfare Policy Research Project, per Article 9.7 (commencing with Section 11526) of Chapter 2 of Part 3 of the Welfare and Institutions Code."

Finally, I am sustaining the \$17.3 million legislative augmentation for Student Academic Preparation and Education Programs on a one-time basis, with the understanding that the University will work with the Administration to fully evaluate the cost-effectiveness of each program and eliminate those that cannot demonstrate an adequate return on investment.

Item 6610-001-0001—For support of the California State University. I reduce this item from \$2,554,085,250 to \$2,550,645,250 by reducing:

(1) Support from \$3,978,663,250 to \$3,975,223,250,

and by revising Provision 11.

I am reducing the legislative augmentation for a specific entry-level master's degree program in nursing from \$4,000,000 to \$560,000 because the level of funding provided exceeds the programmatic need in the budget year. However, I believe very strongly in increasing the number of nurses in California. Therefore, in order to ensure that all these dollars are not left unspent, and actually are used to address our nursing shortage, I am setting aside the vetoed amount, to address this critical need through different approaches, pursuant to subsequent legislation. For instance, I would consider signing legislation that would appropriate the remainder of the \$4,000,000 to the California State University, the University of California, or both, to work with some of California's independent colleges and universities to increase capacity for nursing programs with the objective to further increase the number of nursing faculty available in our state. The availability of increased nursing faculty will allow schools to offer more nursing classes and increase the State's capacity to train an even greater number of nurses.

I am revising Provision 11 to conform to this action as follows:

“11. Of the amount appropriated in Schedule (1), ~~\$4,000,000~~ \$560,000 is to support the development of entry-level master's degree programs in nursing, pursuant to Article 8 (commencing with Section 89270) of Chapter 2 of Part 55 of Title 3 of the Education Code.”

Finally, I am sustaining the \$7 million legislative augmentation for student academic preparation and student support services programs on a one-time basis, with the understanding that the University will work with the Administration to fully evaluate the cost-effectiveness of each program and eliminate those that cannot demonstrate an adequate return on investment.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges. I am deleting Provision 6.6 of this item to conform to my action on that same Provision and Control Section 24.50 in the main budget bill, SB 77:

As stated in the veto message for SB 77, I am deleting Provision 6.6 which states legislative intent to fund Career Technical Education pursuant to the Legislature's new added Control Section 24.50. Control Section 24.50 would require that \$20,000,000 for Career Technical Education be linked to providing an identical amount of funding for supplemental instructional materials for English learners. These two programs do not share any legal or programmatic relationship; thus, the Control Section creates an inappropriate funding link between these distinct programs. Further, this action is unconstitutional and attempts to usurp the Governor's veto authority.

I have a strong commitment to career technical education reform in order to ensure that all students have the opportunity to prepare for high paying careers in the high-demand job sectors of our economy. Therefore, I am setting aside \$20,000,000 from my veto of Control Section 24.50 to provide support for Career Technical Education in separate legislation.

Item SEC. 29.50—Employee Compensation Savings. I delete this control section.

I am deleting Control Section 29.50 because this language is unnecessary and infringes on the Administration's prerogatives regarding collective bargaining. This section requires the Administration to notify the Legislature 10 days prior to any reductions in appropriations based on the results of collective bargaining. Control Section 4.01 provides the same authority to reduce appropriations but provides for legislative notification within 30 days of the reductions.

Notification prior to reductions would place the Legislature in the position of approving or disapproving specific employee compensation reforms that arise from collective bargaining negotiations, rather than ratifying memoranda of understanding that require expenditures of funding as provided for in Government Code Sections 3517.6 and 3517.61. This constitutes an infringement on the Governor's responsibilities under the Dills Act.

With the above deletions, revisions, and reductions, I hereby approve Senate Bill 80.

/s/ Arnold Schwarzenegger

ARNOLD SCHWARZENEGGER

To the Members of the California State Senate:

I am signing Senate Bill No. 71 with the following line item veto in Section 1 to more closely align the bill with my expenditure plan.

SECTION 1. Section 2932.2 is added to the Fish and Game Code, to read:

2932.2. Of the funds appropriated pursuant to Section 79565 of the Water Code, not less than ~~twelve million dollars~~ eight million five hundred thousand dollars (\$8,500,000) shall be made available for transfer or direct expenditure for acquisition, grants, or other activities that directly restore the Salton Sea and its transboundary watersheds, consistent with Section 2932.

I am reducing this allocation in recognition of the fact that only \$8,800,000 in funds appropriated pursuant to Section 79565 of the Water Code will be available for allocation during 2005-06. By reducing this allocation to \$8,500,000, the available funding will not be exceeded, and a small reserve will remain for contingencies in all activities and projects funded by this section of the Water Code.

With the above line item veto, I hereby approve SB 71.

Sincerely,

Arnold Schwarzenegger

To the Members of the California State Senate:

I am signing Senate Bill 76, a budget trailer bill establishing authority and appropriating funds to implement the first stage of the hydrogen highway in California.

This bill expands the technologies eligible to seek funding from Public Interest Research, Development and Demonstration Fund to include projects that serve the energy needs of both stationary and transportation purposes and provide a benefit to the electricity ratepayer. The clear intent was to provide funding opportunities for emerging technologies within the existing resources in the program not to provide an avenue or reason to raise rates to fund additional activities.

Sincerely,

Arnold Schwarzenegger